

DEPARTMENT OF ENERGY
FY 2001 CONGRESSIONAL BUDGET REQUEST
NAVAL PETROLEUM AND OIL SHALE RESERVES

PROPOSED APPROPRIATION LANGUAGE

The requirements of 10 U.S.C. 7430(b)(2)(B) shall not apply for fiscal year [2000] *2001 and any fiscal year thereafter: Provided, That,* notwithstanding any other provision of law, unobligated funds remaining from prior years shall be available for all naval petroleum and oil shale reserve activities.

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FY 2001 CONGRESSIONAL BUDGET REQUEST
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EXECUTIVE BUDGET SUMMARY

Mission

The mission of the Naval Petroleum and Oil Shale Reserves (NPOSr) is to manage, operate, maintain and produce the remaining Reserves to achieve the greatest value and benefit to the Government. To that end, the program has historically produced oil and related hydrocarbons from the Naval Petroleum Reserves at the maximum efficient rates of production pursuant to the Naval Petroleum Reserves Production Act of 1976. Petroleum products were most frequently sold competitively in the open market. NPOSr activities generated a net income of \$13.8 billion for the U.S. Treasury from FY 1976 through FY 1998. In addition, another \$3.65 billion in gross receipts was generated from the divestment of NPR-1 (or Elk Hills) during FY 1998, which was accomplished as mandated by the National Defense Authorization Act for FY 1996.

The National Defense Authorization Act for FY 1996 also directed that the Government finalize its Elk Hills equity interests with Chevron USA, co-owner of Elk Hills. In May 1997, the Department of Energy (DOE) and Chevron agreed to “decouple” the final equity determination from the actual sale so that the Department could offer uncontested title to the United States’ share of Elk Hills in the divestiture. The Assistant Secretary for Fossil Energy is empowered to determine final equity shares. That determination will be based on exhaustive analyses by DOE, Chevron, and an independent petroleum engineering firm retained by the Assistant Secretary. It is an extremely complex analytical process worth hundreds of millions of dollars. Consequently, the process is slow, technically exacting, and contentious.

The National Defense Authorization Act for FY 1996 also directed the Department to conduct a study of the remaining Reserve properties (the three Naval Oil Shale Reserves, NPR-2, and NPR-3) to determine which of four options, or combination of options, would maximize their value to the United States. As a result of the subsequent study, and pursuant to recommendations by the Department, Congress included language in the National Defense Authorization Act for FY 1998 directing that administrative jurisdiction over Naval Oil Shale Reserves Numbered 1 and 3 (NOSR-1 and NOSR-3) be transferred to the Department of the Interior, and that those properties were then to be made available for leasing. (NOSR-1 is an undeveloped property adjacent to NOSR-3; both are located in Garfield County, Colorado.) NOSR-1 and the undeveloped portions of NOSR-3 were transferred upon enactment. The developed portions of NOSR-3 were transferred to the Department of the Interior effective May 1, 1999, coinciding with the Department of the Interior’s leasing of these lands.

Three properties remain under the jurisdiction of the NPOSr program. NOSR-2 is an undeveloped property located in Uintah County, Utah. The Ute Indian Tribe owns approximately 40% of the surface rights, with the Government owning the remaining 60 percent, and 100 percent of the mineral rights. On January 14, 2000, the Department announced that DOE would return 84,000 acres to the Northern Ute tribe, upon

Program Mission - Naval Petroleum and Oil Shale Reserves (Contd.)

Congressional approval. This announcement is in response to a request from the tribe for a greater role in the management of the property. The Department was working with the Tribe, the Department of the Interior, and other stakeholders to develop future management strategies for the property. NPR-2, located in Kern County, California, is a producing oil field from which NPOSR collects lease royalties of about \$1.5 to \$3 million annually depending upon levels of production and the price of oil. NPR-3, located in Natrona County, Wyoming, is a producing stripper oil field operated directly by DOE. The NPOSR program estimates that NPR-3 will produce 450 barrels of oil per day and 3,000 gallons of natural gas liquids per day during FY 2001, generating gross revenues of about \$3.5 million.

Although significantly reduced since the sale of Elk Hills, this program continues to be responsible for routine operation and maintenance of NPR-3, management of the Rocky Mountain Oilfield Testing Center which is co-located with NPR-3, lease management at NPR-2, and environmental and conservation work for each of these remaining assets. The Department is also responsible for some environmental and cultural resource assessment work at Elk Hills as a condition of the sale.

Similar to the FY 2000 Budget, the FY 2001 Budget does not seek new budget authority for the Naval Petroleum and Oil Shale Reserves. A large carryover balance was created when the Elk Hills oil field was sold to Occidental Petroleum in FY 1998. The Department intends to fund remaining NPOSR activities from that balance, but will have to adjust the carryover balance so that funds originally appropriated for the management of Elk Hills may be used for activities at the remaining assets as described in this Budget.

There are a number of “imponderables” which will affect the availability of prior year funds for use in FY 2001. First, there are numerous lawsuits against the former management and operating contractor arising from Elk Hills operations that DOE may be responsible for paying. Second, as required by several agreements associated with the sale of Elk Hills, some environmental assessment and cultural resource activities are underway. Depending upon the findings, DOE may have to perform some environmental remediation work beyond anticipated levels. Third, the finalization of equity with Chevron is an exacting and contentious process that, if further delays ensue, could require funding above currently planned levels. Much of the funding for the Elk Hills divestment process was made available from several Congressionally approved reprogrammings beginning in FY 1996. The most recent was in FY 1998. These reprogrammed funds, which were placed into the Program Direction category, will be exhausted in FY 2000. Therefore, the Department is planning to reallocate \$3 million of unobligated carryover from other program activities and apply them to Program Direction for equity finalization purposes.

In addition to generating revenue through the sale of NPR-3 products, the program oversees seventeen NPR-2 leases. The program has recently learned of significant new interest in further developing NPR-2. If the leaseholders follow through with new development, then royalty revenues could approach \$3 million in FY 2001, up from the \$2.0 million anticipated in FY 2000. For the five years preceding the \$3.65 billion divestment of Elk Hills in FY 1998, the program generated an average net cash flow to the Government of more than \$200 million annually. By

Program Mission - Naval Petroleum and Oil Shale Reserves (Contd.)

contrast, total program revenues during FY 1999 were \$7.5 million, and are estimated to be \$6.4 million in FY 2000 and \$6.5 million in FY 2001.

Program Mission - Naval Petroleum and Oil Shale Reserves (Contd.)

PERFORMANCE MEASURES

No performance measures have been established for NOSR-2, an undeveloped property thought to contain natural gas and small quantities of oil. At the present time, NOSR-2 activity consists only of monitoring private sector development of properties near the Reserve.

The success of NPOSR will be measured by the following performance measures during FY 2001:

- , NPR-3 production operations: Maintain a positive Net Cash Flow.
- , Profitably produce 165,000 barrels of oil and related hydrocarbons from approximately 300 wells while reducing operating costs by 10%.
- , NPR-3 environmental remediation: Bring marginally productive or shut-in wells into compliance with Wyoming State regulations and perform related reclamation activities at a funding level of \$1.6 million.
- , RMOTC: Increase partner participation and funding by 50%.
- , NPR-2 Management: Assist owners and operators in NPR-2 to enhance production, streamline administration and substantially increase royalties from an estimated \$2.0 million in FY 2000 to \$3 million in FY 2001.
- , NPR-1 Environmental Remediation: Complete activities regarding 37 findings per agreement with the California Department of Toxic Substance Control.

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PROGRAM FUNDING PROFILE
(dollars in thousands)

Activity	FY 1999 Enacted	FY 2000 Enacted	FY 2001 Base	FY 2001 Request	Program Change Request vs. Base	
					Dollar	Percent
Naval Petroleum Reserves Nos. 1 & 2						
Equity Finalization	\$ 2,500	\$ 2,500	\$ 2,500	\$ 1,600	\$ (900)	-36%
NPR-1 Closeout Activities	794	3,300	3,300	2,135	(1,165)	-35%
Environmental Remediation & Cultural Resource Assessment	0	800	800	800	0	0%
NPR-2 Management	300	300	300	300	0	0%
Subtotal	\$ 3,594	\$ 6,900	\$ 6,900	\$ 4,835	\$ (2,065)	-30%
Naval Petroleum Reserve No. 3						
NPR-3 Production Operations	3,250	3,140	3,140	2,500	(640)	-20%
Environmental Restoration	3,000	1,400	1,400	1,600	200	14%
Rocky Mountain Oilfield Testing Center	3,000	3,000	3,000	3,000	0	0%
General Operational Support	930	800	800	800	0	0%
Subtotal	\$ 10,180	\$ 8,340	\$ 8,340	\$ 7,900	\$ (440)	-5%
Naval Oil Shale Reserves	0	0	0	0	0	0%
Program Direction	6,876	6,000	6,000	8,040	2,040	34%
Total NPOS Requirements	\$ 20,650	\$ 21,240	\$ 21,240	\$ 20,775	\$ (465)	-2%
Use of prior year balances	(6,697)	(21,240)	(21,240)	(20,775)	465	-2%
FY 2001 OMB BUDGET REQUEST	<u>\$ 13,953</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	0%
Headquarters	13	14	14	12	-2	-14%
Field	<u>*56</u>	<u>25</u>	<u>25</u>	<u>23</u>	<u>-2</u>	<u>-8%</u>
Total Staffing, NPOS	69	39	39	35	-4	-10%

* Includes 26 FTEs which were authorized to be transferred to other DOE programs, including NPR-3, and paid from NPOS Requirements Program Direction under the Federal Worker's Transition Plan through FY 1999, the last year under the Transition Plan, which is shown in error in the President's budget..
(Authorizations: National Defense Authorization Act for Fiscal Year 1996 (P.L. 104-106) and the DOE Organization Act (P.L. 95-91))

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(dollars in thousands)

SUMMARY OF CHANGES

FY 2000 BASE	\$21,240
Naval Petroleum Reserve Nos. 1&2	
- NPR-1 Equity Finalization	\$-900
Decrease due to completion of various equity activities at the field level.	
- NPR-1 Closeout Activities	\$-1,165
Decrease due to completion of various closeout activities.	
Naval Petroleum Reserve No. 3	
-NPR-3 Production Operations	\$-640
Decrease due to reduced production activity.	
-Environmental Restoration	\$+200
Increase due to additional environmental remediation activity as field nears the end of its economic life.	
Program Direction	\$+2,040
Increase due to additional headquarters costs brought about by delays in the schedule for equity finalization which were agreed to in FY 1998/1999.	
USE OF PRIOR YEAR BALANCES	\$-20,775
FY 2001 CONGRESSIONAL BUDGET REQUEST	\$0

NAVAL PETROLEUM AND OIL SHALE RESERVES

NAVAL PETROLEUM RESERVES 1 AND 2 (CALIFORNIA)

I. Mission Supporting Goals and Objectives:

NPR-1

Pursuant to Public Law 104-106, the National Defense Authorization Act for FY 1996, DOE offered Naval Petroleum Reserve Numbered 1 (NPR-1 or Elk Hills) for sale. On October 5, 1997, DOE accepted Occidental Petroleum Corporation's bid for \$3.65 billion, and the new owner assumed operation of the field in early February 1998. As with the FY 2000 Budget, prior year balances will be used to pay for continuing post-sale closeout activities in FY 2001. The most significant of these activities is the settlement of equity shares with Chevron, for which geologic, petrophysical and reservoir engineering services are required to prepare and support the Government's equity position before an Independent Petroleum Engineer and the Assistant Secretary for Fossil Energy (ASFE).

Under the *Equity Redetermination Process Agreement*, the ASFE is to impartially determine final equity shares between Chevron and the Department of Energy. The final equity determinations could result in a combined financial impact worth several hundred million dollars for the total of all four of the NPR-1 producing zones. Because of the high stakes for the Department as well as Chevron, the equity redetermination process is exacting and contentious. Financial settlements resulting from the equity redetermination process will occur after final decisions have been made for all four zones, sometime during FY 2003.

In accordance with agreements with Occidental Petroleum, Chevron USA, Inc., and several California State offices, a significant number of inactive waste sites at NPR-1 must be assessed. Depending upon the results of the assessments, some sites may require clean up in order to comply with various Federal and State regulations. Environmental remediation has been completed for 111 of the 153 findings which must be addressed. It is estimated that three findings will be completed during FY 2000 and 37 during FY 2001. The remaining two findings would be completed during FY 2002.

NPR-2

The program will continue managing seventeen leases on NPR-2. Due to a renewed interest in NPR-2 by several major oil companies, the program estimates that approximately 65 percent of the existing leases will be sold by current leaseholders to new owners who intend to accelerate production, thus increasing the number of permits processed by the program. A site-wide environmental assessment may be required to accommodate renewed field development. Royalty payments may increase from an estimated \$2.0 million in FY 2000 to \$3.0 million in FY 2001, depending upon leaseholder activity.

II. A. Funding Schedule: Naval Petroleum Reserve Nos. 1 & 2 (California)

Activity	FY 1999 Enacted	FY 2000 Enacted	FY 2001 Request	\$ Change	% Change
Equity Finalization	\$ 2,500	\$ 2,500	\$ 1,600	\$ (900)	-36%
NPR-1 Closeout	794	3,300	2,135	(1,165)	-35%
Environmental Remediation & Cultural Resource Assessment	0	800	800	0	0%
NPR-2 Management	300	300	300	0	0%
Total Requirements	\$ 3,594	\$ 6,900	\$ 4,835	\$ (2,065)	-30%
Use of Prior Year Balances	(3,594)	(6,900)	(4,835)	2,065	-30%
Total, Naval Petroleum Reserve Nos. 1 & 2 Budget Request	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	0%

II. B. Laboratory and Facility Funding Schedule

Naval Petroleum Reserves in California	\$ 3,594	\$ 6,900	\$ 4,835	\$ (2,065)	-30%
Use of Prior Year Balances	(3,594)	(6,900)	(4,835)	2,065	-30%
Total, Naval Petroleum Reserve Nos. 1 & 2	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	0%

III. Performance Summary: NAVAL PETROLEUM RESERVES 1 AND 2 (CALIFORNIA)

Activity	FY 1999	FY 2000	FY 2001
Equity Finalization	<p>Carneros Zone: A final determination was issued by the Assistant Secretary for Fossil Energy (ASFE). Chevron has appealed the final determination to DOE's Office of Hearings and Appeals.</p>	<p>Carneros Zone: A ruling from DOE's Office of Hearings and Appeals regarding Chevron's appeal of the Assistant Secretary for Fossil Energy's (ASFE) final decision is anticipated. The decision of the Office of Hearings and Appeals will be final per the <i>Equity Redetermination Process Agreement</i>.</p>	<p>Completion of arguments on the Shallow Oil Zone. The Independent Petroleum Engineer (IPE) final recommendation to the Assistant Secretary for Fossil Energy (ASFE) is expected late in the fiscal year, or early FY 2002.</p>
	<p>Stevens Zone: The final Independent Petroleum Engineer (IPE) recommendation, scheduled for October 1999, was delayed until March 2000 while legal issues raised by Chevron were resolved.</p>	<p>Stevens Zone: Issuance of a final equity decision by the ASFE is anticipated.</p>	<p>(Program level of \$1,600,000 to be funded from prior year balances.)</p>
	<p>Shallow Oil Zone: Equity presentations have been postponed until FY 2000 as requested by Chevron. Data gathering continues.</p>	<p>Shallow Oil Zone: Presentations are made to the Independent Petroleum Engineer (IPE) by both owners. It is anticipated that the IPE will issue a provisional report for comment by the equity partners.</p>	
	<p>Dry Gas Zone: Final equity determination was completed during FY 1998.</p>	<p>(Program level of \$2,500,000 to be funded from prior year balances.)</p>	
	<p>(Program level of \$2,500,000 to be funded from prior year balances.)</p>		
	\$0	\$0	\$0

III. Performance Summary: NAVAL PETROLEUM RESERVES 1 AND 2 (CALIFORNIA) (Contd.)

Activity	FY 1999	FY 2000	FY 2001
NPR-1 Closeout Activities	Continued closeout of all financial matters, transfer and archiving of records, funding of post retirement medical and dental benefits for former Elk Hills M&O contractor employees, and defended against existing litigation deriving from the M&O's performance. (Program level of \$794,000 to be funded from prior year balances.)	Complete the transfer and archiving of records, continue funding of post retirement medical and dental benefits for former Elk Hills M&O contractor employees, and continue defending against existing litigation deriving from the M&O's performance. (Program level of \$3,300,000 to be funded from prior year balances.)	Continue funding post retirement medical and dental benefits for former Elk Hills M&O contractor employees and, to the extent possible, dispose of existing litigation deriving from the former M&O's performance. (Program level of \$2,135,000 to be funded from prior year balances.)
	\$0	\$0	\$0

III. Performance Summary: NAVAL PETROLEUM RESERVES 1 AND 2 (CALIFORNIA) (Contd.)

Activity	FY 1999	FY 2000	FY 2001
Environmental Remediation & Cultural Resource Assessment	<p>Completed administrative actions for 111 of 153 findings as required by an agreement between DOE and the California Department of Toxic Substance Control.</p> <p>In addition, DOE will complete various site assessments and actions required under agreements with Chevron, the U.S. Fish and Wildlife Service, the California Fish and Game Department, the State Historic Preservation Office, and Occidental Petroleum.</p> <p>(Program level of \$1,500,000 funded from prior year balances.)</p>	<p>Begin actions to close remaining 42 findings as required by an agreement between DOE and the California Department of Toxic Substance Control and complete.</p> <p>Complete cultural resource evaluations of Occidental's Elk Hills projects.</p> <p>(Program level of \$800,000 to be funded from prior year balances.)</p>	<p>Continue efforts to close remaining findings as required by the agreement between DOE and the California Department of Toxic Substance Control.</p> <p>Gather information for the curation of NPR-1 artifacts.</p> <p>(Program level of \$800,000 to be funded from prior year balances.)</p>
	\$0	\$0	\$0

Activity	FY 1999	FY 2000	FY 2001
NPR-2 Management and Revenue	<p>DOE administers seventeen lease agreements generating \$1.5 million in royalty revenue. Royalty payments are deposited into the General Fund of the U.S. Treasury.</p> <p>Activities included invoicing, witness metering, operational and environmental oversight, and historic preservation requirements.</p> <p>(Program level of \$300,000 to be funded from prior year balances.)</p>	<p>DOE administers seventeen lease agreements which will generate an estimated \$2 million in royalty revenue, depending on production levels and crude oil prices. Royalty payments are deposited into the General Fund of the U.S. Treasury.</p> <p>Activities include invoicing, witness metering, operational and environmental oversight, historic preservation requirements, royalty evaluation, and resource assessment.</p> <p>(Program level of \$300,000 to be funded from prior year balances.)</p>	<p>DOE administers lease agreements which could generate up to \$3 million in royalty revenue, depending on new development and increased production levels and crude oil prices. Royalty payments are deposited into the General Fund of the U.S. Treasury.</p> <p>Activities include invoicing, witness metering, operational and environmental oversight, historic preservation requirements, royalty evaluation, and resource assessment.</p> <p>(Program level of \$300,000 to be funded from prior year balances.)</p>
	\$0	\$0	\$0
Total, Planned obligations	\$3,594	\$6,900	\$4,306
Use of Prior Year Funds	(\$3,594)	(\$6,900)	(\$4,306)
Total, NPR-1 & NPR-2 Budget Request	\$0	\$0	\$0

NAVAL PETROLEUM AND OIL SHALE RESERVES

NAVAL PETROLEUM RESERVE 3 (WYOMING)

I. Mission Supporting Goals and Objectives:

The primary objective at NPR-3 is to operate and produce the Reserve to maximize profitability while preparing for the eventual abandonment of the oil field. As in the FY 2000 Budget, the Department proposes to fund ongoing conventional oil field management and operations during FY 2001 from prior year balances that became available following the sale of NPR-1 in FY 1998. Ongoing management and operations include operating, maintaining and repairing facilities and equipment; well work overs; engineering support; financial management; administrative support; technical support; purchase of field equipment; and environmental, safety, and quality assurance support.

As required by the National Defense Authorization Act for FY 1996, a study was conducted by an independent petroleum consultant to evaluate and recommend which of four specified future courses of action would best maximize the value of NPR-3 to the United States: retention by the Department under existing law; retention by another Federal agency under existing law; lease; or sale. The recommendation of the study, concurred in by the Department, was to retain NPR-3 for as long as it could be operated profitably, and then either abandon the field or turn it over to a private operator.

NPR-3 is committed to operating a profitable crude oil production program and efforts will continue to be directed toward maintaining a positive net cash flow through normal operations. Management initiatives which have contributed to cost savings in prior years will be continued, and new initiatives evaluated. Depending upon oil prices and stabilization of the reserves, NPR-3 should continue operating economically through FY 2005. After oil and gas operations are abandoned at NPR-3, DOE may dispose of the property by sale, lease, or transfer to another Federal agency as provided for in the Strom Thurmond National Defense Authorization Act for FY 1999 (Public Law 105-261, section 3404). DOE anticipates that any transfer of the property will follow the completion of the well abandonment program so that the associated environmental liabilities will not be passed on to the new owners.

The Rocky Mountain Oilfield Testing Center (RMOTC) was established in 1995 at NPR-3 in accordance with the Department's Domestic Natural Gas and Oil Initiative. Since 1998, when the existing management and operating contract expired, DOE has assumed full operation of RMOTC. RMOTC serves as a facility for demonstrating, testing and evaluating new technologies and equipment in an operating oil field environment as well as a training center for industry, academia and minority groups. Besides DOE, funding for the center is received through cost and resource sharing arrangements with industry, Federal, State and local governments, Native American tribes, trade associations, technology centers, national labs and academia. In late FY 1998, construction began on the DeepStar Flow Assurance Test Loop, a major

project jointly funded by government and a petroleum industry consortium. DOE has spent \$1 million while the industry consortium has spent \$2.8 million. During FY 1999, the program began a series of meetings to develop plans for privatizing RMOTC. However, the DeepStar consortium dissolved early in FY 2000 and construction and operation plans were deferred pending evaluation of options for completing the project. Completion of the Flow Assurance Test Loop is a major goal for RMOTC and funds that will enable full operation of the facility are included in the FY 2001 budget request.

NPR-3, also called Teapot Dome, is located near Casper, Wyoming. Production averaged 600 BOPD in FY 1999 and is estimated to be 630 BOPD in FY 2000, and 450 BOPD in FY 2001.

II. A. Funding Schedule: Naval Petroleum Reserve No. 3 (Wyoming)

Activity	FY 1999 Enacted	FY 2000 Enacted	FY 2001 Request	\$ Change	% Change
NPR-3 Production Operations	\$ 3,250	\$ 3,140	\$ 2,500	\$ (640)	-20%
NPR-3 Environmental Restoration	\$ 3,000	\$ 1,400	\$ 1,600	\$ 200	14%
Rocky Mountain Oilfield Testing Center	\$ 3,000	\$ 3,000	\$ 3,000	\$ 0	0%
General Operational Support	\$ 930	\$ 800	\$ 800	\$ 0	0%
Total Requirements	\$ 10,180	\$ 8,340	\$ 7,900	\$ (440)	-5%
Use of Prior Year Balances	\$ (3,000)	\$ (8,340)	\$ (7,900)	\$ 440	-5%
Total, Naval Petroleum Reserve No. 3	<u>\$ 7,180</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	0%

II. B. Laboratory and Facility Funding Schedule

Naval Petroleum and Oil Shale Reserves in Colorado, Utah and Wyoming	\$ 10,180	\$ 8,340	\$ 7,900	\$ (440)	-5%
Use of Prior Year Balances	<u>\$ (3,000)</u>	<u>\$ (8,340)</u>	<u>\$ (7,900)</u>	<u>\$ 440</u>	-5%

III. Performance Summary: Naval Petroleum Reserve No. 3 (Wyoming) (Contd.)

Total, Naval Petroleum Reserve No. 3	\$	<u>7,180</u>	\$	<u>0</u>	\$	<u>0</u>	\$	<u>0</u>	0%
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III. Performance Summary: Naval Petroleum Reserve No. 3 (Wyoming) (Contd.)

Activity	FY 1999	FY 2000	FY 2001
NPR-3 Production Operations and Revenues	<p>Continued routine O&M activities for production facilities, well maintenance, electricity and utilities, buildings, roads, heavy field equipment, motor vehicles and capital projects to be undertaken provided oil prices warrant such expenditures. Also provided for petroleum geology, production engineering, and reservoir studies.</p> <p>Crude oil production averaged 600 barrels of oil per day. Natural gas liquids production averaged 2,331 gallons per day.</p> <p>Revenues were \$3.8 million. All revenues are deposited into the General Fund of the U.S. Treasury.</p> <p>(Program level of \$3,250,000. \$1,000,000 funded from prior year balances.)</p> <p style="text-align: right;">\$2,250</p>	<p>Continue routine O&M activities for production facilities, well maintenance, electricity and utilities, buildings, roads, heavy field equipment, motor vehicles and capital projects to be undertaken provided oil prices warrant such expenditures. Also provides for petroleum geology, production engineering, and reservoir studies.</p> <p>Crude oil production is estimated to average 630 barrels of oil per day. Natural gas liquids (NGL) production is estimated to average 3,000 gallons per day.</p> <p>Estimated revenues are \$4.4 million. All revenues are deposited into the General Fund of the U.S. Treasury.</p> <p>(Program level of \$3,140,000 to be funded from prior year balances.)</p> <p style="text-align: right;">\$0</p>	<p>Continue routine O&M activities for production facilities, well maintenance, electricity and utilities, buildings, roads, heavy field equipment, motor vehicles and capital projects to be undertaken provided oil prices warrant such expenditures. Also provides for petroleum geology, production engineering, and reservoir studies.</p> <p>Crude oil production is estimated to average 450 barrels of oil per day. Natural gas liquids production is estimated to average 3,000 gallons per day.</p> <p>Estimated revenues are \$3.5 million. All revenues are deposited into the General Fund of the U.S. Treasury.</p> <p>(Program level of \$2,500,000 to be funded from prior year balances.)</p> <p style="text-align: right;">\$0</p>

III. Performance Summary: Naval Petroleum Reserve No. 3 (Wyoming) (Contd.)

Activity	FY 1999	FY 2000	FY 2001
Environmental Restoration	<p>Continued plugging and abandonment of uneconomic wells. Closed certain surface facilities such as treaters, tank batteries, evaporation pits and roads. Began removing electrical poles and wires that were no longer required to support production operations. Collected soil samples from pits, batteries, and test sites for analysis as they were being reclaimed.</p> <p>(Program level of \$3,000,000. \$1,000,000 funded from prior year balances.)</p>	<p>Continue plugging and abandonment of uneconomic wells. Continue closing surface facilities that are no longer required to support production operations.</p> <p>(Program level of \$1,400,000 to be funded from prior year balances.)</p>	<p>Continue plugging and abandonment of uneconomic wells. Continue closing surface facilities that are no longer required to support production operations. Pollution Prevention and Energy Efficiency Leadership Goals are reduction of hazardous wastes by decommissioning and restoring 3 tank batteries; remediating the area surrounding 50 wells sites being plugged and abandoned; reducing toxic chemicals subject to Toxic Chemical Release Inventory reporting by 18%; and reducing electrical energy consumption by 18%.</p> <p>Increase is due to increased restoration activity as the field nears the end of its projected economic life.</p> <p>(Program level of \$1,600,000 to be funded from prior year balances.)</p>

III. Performance Summary: Naval Petroleum Reserve No. 3 (Wyoming) (Contd.)

Activity	FY 1999	FY 2000	FY 2001
	\$2,000	\$0	\$0
Rocky Mountain Oilfield Testing Center	<p>RMOTC serves as a pilot operation until the facility is privatized, provided Congressional authority is granted. The goals of the RMOTC demonstration program include: increasing industry participation and funding to fully cover Federal government costs; expanding university participation and training opportunities; and establishing partnerships with other Government programs to better utilize the facility's resources. Immediate goals included finalizing plans for funding, constructing and operating the DeepStar project, and initiating discussions about privatization.</p> <p>(Program level of \$3,000,000. \$1,000,000 funded from prior year balances.)</p>	<p>RMOTC will continue to market itself, develop partnerships and conduct tests, demonstrations and training programs until the facility is privatized, provided Congressional authority is granted. Goals of the RMOTC program include: increasing industry participation and funding to fully cover Federal government costs; expanding university participation and training opportunities; and establishing partnerships with other Government programs to better utilize the facility's resources. FY 2000 goals include completion of the partially constructed Flow Assurance Test Loop in cooperation with private industry in preparation for profitable testing operations and privatization.</p> <p>(Program level of \$3,000,000 to be funded from prior year balances.)</p>	<p>RMOTC will continue to market itself, develop partnerships and conduct tests, demonstrations and training programs until the facility is privatized, provided Congressional authority is granted. Goals of the RMOTC program include: increasing industry participation and funding to fully cover Federal government costs; expanding university participation and training opportunities; and establishing partnerships with other Government programs to better utilize the facility's resources. The major goal for FY 2001 is initiating full-scale testing at the Flow Assurance Test Loop.</p> <p>(Program level of \$3,000,000 to be funded from prior year balances.)</p>

Activity	FY 1999	FY 2000	FY 2001
	\$2,000	\$0	\$0
General Operational Support	<p>Provided general operational and administrative support for all activities directed from the NPOSR office in Casper, WY. Support activities included closeout of the M&O contract, planning and analytic support, scheduling petroleum deliveries, quality assurance, invoicing and payment, human resources for continued field operations, financial management, NOSR-2 oversight, and RMOTC management. Began formulating plans for the privatization of RMOTC.</p>	<p>Provide general operational and administrative support for all activities directed from the NPOSR office in Casper, WY. Support activities include planning and analytic support, scheduling petroleum deliveries, quality assurance, invoicing and payment, human resources for continued field operations, contract and financial management, NOSR-2 oversight, and RMOTC management. Also continue with plans for the privatization of RMOTC.</p> <p>(Program level of \$800,000 to be funded from prior year balances.)</p>	<p>Provide general operational and administrative support for all activities directed from the NPOSR office in Casper, WY. Support activities include planning and analytic support, scheduling petroleum deliveries, quality assurance, invoicing and payment, human resources for continued field operations, financial management, and NOSR-2 oversight. Also continue with plans for the privatization of RMOTC.</p> <p>(Program level of \$800,000 to be funded from prior year balances.)</p>
	\$930	\$0	\$0
Total Planned Obligations	\$10,180	\$8,340	\$7,900
Use of Prior Year Funds	\$3,000	\$8,340	\$7,900
Total, NPR-3	\$7,180	\$0	\$0

NAVAL PETROLEUM AND OIL SHALE RESERVES

NAVAL OIL SHALE RESERVES (COLORADO & UTAH)

I. Mission Supporting Goals and Objectives:

The National Defense Authorization Act for Fiscal Year 1998 (Public Law 105-85) required the transfer of administrative jurisdiction over NOSR-1 and 3, adjacent properties located in Garfield County, Colorado, to the Department of the Interior for commercial leasing. The transfer of the undeveloped properties (all of NOSR-1 and portions of NOSR-3) was completed upon enactment of the law. The developed portions of NOSR-3 were transferred to the Department of the Interior effective May 1, 1999.

The Department of Energy retains jurisdiction over NOSR-2, an undeveloped property in Uintah County, Utah. It is located within the boundaries of the Uintah and Ouray Reservation. The Ute Indian Tribe owns approximately 40% of the surface rights, with the Government owning the remaining 60 percent, and 100 percent of the mineral rights. DOE is responsible for its share of the surface management of the property, which has historically cost less than \$50,000 annually.

The Ute Tribe requested a greater role in the management of the property and was encouraging some forms of development on its land. In response, the Department worked with the Tribe, the Department of the Interior, and other stakeholders to develop future management strategies for this property. On January 14, 2000, the Department announced that DOE would return 84,000 acres to the tribe, upon Congressional approval.

II. A. Funding Schedule: Naval Oil Shale Reserves

Activity	FY 1999 Enacted	FY 2000 Enacted	FY 2001 Request	\$ Change	% Change
Naval Oil Shale Reserves (Colorado & Utah)	\$ 1,850	\$ 10	\$ 10	\$ 0	0%
Total Requirements	\$ 1,850	\$ 10	\$ 10	\$ 0	0%
Use of Prior Year Balances	\$ (1,850)	\$ (10)	\$ (10)	\$ 0	0%
Total, Naval Oil Shale Reserves	\$ 0	\$ 0	\$ 0	\$ 0	0%

Activity	FY 1999 Enacted	FY 2000 Enacted	FY 2001 Request	\$ Change	% Change
II. B. <u>Laboratory and Facility Funding Schedule:</u>					
Naval Oil Shale Reserves					
Naval Petroleum and Oil Shale Reserves in Colorado, Utah and Wyoming	\$ 1,850	\$ 10	\$ 10	\$ 0	0%
Use of Prior Year Balances	<u>\$ (1,850)</u>	<u>\$ (10)</u>	<u>\$ (10)</u>	<u>\$ 0</u>	0%
Total, Naval Oil Shale Reserves, (Colorado & Utah)	<u><u>\$ 1,850</u></u>	<u><u>\$ 10</u></u>	<u><u>\$ 10</u></u>	<u><u>\$ 0</u></u>	0%

III. Performance Summary: NAVAL OIL SHALE RESERVES, (COLORADO & UTAH)

Activity	FY 1999	FY 2000	FY 2001
Naval Oil Shale Reserves (Colorado & Utah)	<p>Pursuant to P.L. 105-85, the Department of the Interior arranged for a lessee to assume operation of the developed NOSR-3 properties beginning May 1, 1999. Transfer activities for which NPOSR were responsible included engineering, administrative and environmental support. Up until the time of transfer, the program continued routine operations and maintenance of the producing wells.</p> <p>Production from the beginning of the fiscal year until the transfer to DOI was 1.5 MMCF, generating revenues of \$2.2 million.</p> <p>(Program level of \$1,850,000, funded from prior year balances.)</p>	<p>Limited surface management consisting of road, fence, and sign maintenance.</p> <p>(No activity was originally planned in this area in the FY 2000 Budget. However, less than \$10,000 of prior year balances will be used to pay for the above activities.)</p>	<p>Surface management primarily consisting of road, fence, and sign maintenance.</p> <p>Work with Ute Indian Tribe, Department of the Interior, and other stakeholders to define future management options for the Reserve.</p> <p>(Less than \$10,000 of prior year balances will be used to pay for the above activities.)</p>
	\$0	\$0	\$0

NAVAL PETROLEUM AND OIL SHALE RESERVES

PROGRAM DIRECTION

I. Mission Supporting Goals and Objectives:

This activity provides funding to support 35 FTEs required to produce, manage, operate, and maintain the NPOSR properties retained by the Government (NPR-3, NPR-2 and NOSR-2) in a manner to achieve the greatest value and benefits to the Government, and to provide for the operating needs of the Rocky Mountain Oilfield Testing Center co-located with NPR-3.

Headquarters personnel are responsible for overall direction of the program, implementing DOE policy, communicating guidance to the field consistent with that policy, establishing program objectives, developing and defending budget requests to the Office of Management and Budget and to Congress, reviewing procurement plans, monitoring profitability, and interfacing with other Departmental offices. The field offices are responsible for managing production operations, closing out contracts, and directing, monitoring and evaluating the performance of supporting contractors. Specific areas of oversight include planning, financial management, administrative and personnel support, engineering and geology, ADP, procurement, environment, cultural resources, safety and quality assurance. Program direction also includes administrative services under the working capital fund.

On February 5, 1998, the Department successfully concluded the divestiture of the Government's share of NPR-1 (or Elk Hills). In support of that activity, the Department has sought and received Congressional approval for several reprogrammings. With the divestiture of NPR-1 complete, the program entered a "closeout" period in which a variety of business issues will be settled. The most important outstanding requirement is the finalization of equity interests with Chevron, USA. The Assistant Secretary for Fossil Energy is empowered to determine final equity shares. That determination will be based on exhaustive analyses by DOE, Chevron, and the independent petroleum engineering firm retained by the Assistant Secretary. The Assistant Secretary's costs, as well as other headquarters expenses, associated with finalizing equity have been paid from funds remaining from the aforementioned reprogrammings. Those funds will be exhausted by the beginning of FY 2001, at which time the continuing expenses will need to be paid from general program funds that are reallocated for program direction needs.

II. A. Funding Schedule: Program Direction

Activity	FY 1999 Enacted	FY 2000 Enacted	FY 2001 Request	\$ Change	% Change
Program Direction	\$ 6,876	\$6,000	\$8,040	\$2,040	34%
Total Requirements	\$ 6,876	\$ 6,000	\$ 8,040	\$ 2,040	34%
Use of Prior Year Balances	\$ (56)	\$ (6,000)	\$ (8,040)	\$ (2,040)	34%
Total, Program Direction	<u>\$ 6,820</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	0%

II. B. Laboratory and Facility Funding Schedule:

Program Direction

Activity	FY 1999 Enacted	FY 2000 Enacted	FY 2001 Request	\$ Change	% Change
Naval Petroleum and Oil Shale Reserves -- all sites	\$ 6,876	\$ 6,000	\$ 8,040	\$ 2,040	34%
Use of Prior Year Balances	\$ (56)	\$ (6,000)	\$ (8,040)	\$ (2,040)	34%
Total, Program Direction	<u>\$ 6,820</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	0%

III. Performance Summary: Program Direction

<u>Activity</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>
Program Direction	Funding by Object Class (\$000):	Funding by Object Class (\$000):	Funding by Object Class (\$000):
	Personnel Compensation: \$2,469	Personnel Compensation: \$2,413	Personnel Compensation: \$2,877
	Benefits: 3,337	Benefits: 956	Benefits: 584
	Travel: 170	Travel: 258	Travel: 300
	Contractor Services: <u>900</u>	Contractor Services: <u>2,373</u>	Contractor Services: <u>4,279</u>
	Subtotal \$6,876	Subtotal \$6,000	Subtotal \$8,040
	Use of Prior Year Balances <u>- 56</u>	Use of Prior Year Balance <u>-6,000</u>	Use of Prior Year Balance <u>-8,040</u>
	Total Budget Request \$6,820	Total Budget Request \$0	Total Budget Request \$0

III. Performance Summary: Program Direction (Contd.)

Activity	FY 1999	FY 2000	FY 2001
Program Direction (continued)	<p>Provided for 69 FTEs, of which 36 were required for Headquarters and on-site management of the Reserves and NPR-1 closeout activities. 26 FTEs were transferred to other DOE programs as part of a Federal Employee Transition Plan. Headquarters and field FTEs performed the following responsibilities: policy and planning; petroleum engineering; facilities engineering; financial management; ADP; procurement; personnel; environment and safety; and NPR-1 closeout activities. Additional activities were to begin for the final disposition of the NOSRs and NPR-3; continue the Federal Employee Transition Plan and provide severance, as necessary. Decrease due to reduction in programmatic requirements.</p> <p>(Program level of \$6,876,000. \$56,000 funded from prior year balances.)</p>	<p>Provide for 39 FTEs. FTEs reflect a loss of 26 who were formerly covered under the Federal Employee Transition Plan and a gain of seven FTEs for the NPR-3 site (these are employees who had transferred from NPRC and had been previously covered by the transition plan). Headquarters and field FTEs will be used in the following areas: policy and planning; equity determination; petroleum engineering; financial management; ADP; procurement; personnel; environment and safety; administration of NOSR-2, administration of reimbursable work programs for RMOTC, and development of plans and activities related to the privatization of RMOTC.</p> <p>(Program level of \$6,000,000 to be funded from prior year balances.)</p>	<p>Provide for 35 FTEs. Headquarters and field FTEs will be used in the following areas: policy and planning; equity determination; petroleum engineering; financial management; ADP; procurement; personnel; environment and safety; administration of NOSR-2, and administration of reimbursable work programs for RMOTC. It also includes development of plans and activities related to the privatization of RMOTC. (\$5,040,000)</p> <p>Provide for the expenses associated with finalizing NPR-1 equity shares between DOE and Chevron (\$3,000,000)</p> <p>(Program level of \$8,040,000 to be funded from prior year balances. Increase is due to extensions in the schedule for finalizing equity.)</p>

Activity	FY 1999	FY 2000	FY 2001
	\$6,820	\$0	\$0